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**COMMUNITY PLANNING &
ECONOMIC DEVELOPMENT DEPARTMENT**

Creating Solutions for Our Future

Joshua Cummings, Director

October 4, 2022

State Building Code Council
1500 Jefferson Street SE
Olympia, WA 98501

Re: Adoption of IEBC 2021 and State Amendment Log number 21-GP2-029

Dear Council Members,

We are proposing a modification to the proposal 21-GP2-029 to change the Definition of Substantial Damage and Substantial Improvement.

The use of the Building Valuation Data (BVD) requires a modifier based on the local jurisdiction and cost to administer the code. This value will fluctuate from year to year and does not take into consideration the actual valuation based on the actual market which varies from area to area; and from structure to structure.

- This conflicts with the guidance provided by FEMA, as it does not account for depreciation of the structure. See the verbiage from FEMA 213 below.
- FEMA provides three ways to make the determination – Estimates, assessor values and those based on the professional judgment of a local official.
- As a CRS Class 2 Jurisdiction we adhere to the requirements of FEMA to retain our Class 2 rating with higher regulator standards. We would be out of compliance using this method.
- The local assessor can provide current market information that adds modifiers based on the market x condition of the structure.
- Using the BVD will hurt the areas where the homes are valued higher or the cost of administration is lower.

- The scope of the IEBC does not cover structures under the International Residential Code and will cause the jurisdictions to administer the determination of substantial damage and improvement separately.

FEMA 213 bulletin – Answers to Questions About Substantially Damaged Buildings.

https://www.fema.gov/sites/default/files/2020-07/fema_p213_08232018.pdf states:

Estimates may be used for both costs and market values. To be consistent, local officials should decide and document in advance the estimation methods that will be used, especially in post-disaster situations when many damaged structures may need to be evaluated to determine whether they have been substantially damaged. However, when the ratio falls between 40 percent and 60 percent, the local official **may require** the applicant to provide a detailed list of costs or to obtain a professional appraisal of the structure’s market value.

Market value refers to the price that a seller of real property can expect to receive from a buyer in a fair and open negotiation. For SI/SD determinations, only the market value of the building or manufactured home is important (land, land improvements, and accessory structures are excluded). In addition, the market value must always be based on the condition of the structure before the improvement is undertaken or before damage occurred. If structures have not been maintained and have deteriorated over time, then the pre-improvement or pre-damage market values are the values as of the date applications for permits are submitted.

Many communities require permit applicants to obtain appraisals of market value prepared by qualified professionals who are licensed to perform appraisals in the State or community where the properties are located.

In addition, three other methods can be used to estimate market value:

- Values developed for property tax assessment purposes, adjusted to approximate market value
- Estimates of a structure’s actual cash value, including depreciation
- **“Qualified estimates” based on the professional judgment of a local official**

Local officials may need to use other methods to estimate market value after disaster events that damage many structures, when it is important to quickly and efficiently focus attention on those structures most likely to have sustained substantial damage.

Property assessment values determined by a State or local taxing or assessment authority can be used if the values are adjusted to reasonably represent market value.

The assessor’s office should provide an adjustment factor that, when applied to assessed value, yields the “adjusted assessed value,” which can be used as an estimate of market value. Local officials who elect to use adjusted assessed values for making SI/SD determinations should consult with the authority that prepared the assessment values to understand the limitations on use of the data. These limitations are the length of the appraisal cycle (how old are the data), whether land value is listed separately, and the assessment level (an established statutory ratio between the assessor’s estimate of value and the true fair market value). If not considered and accounted for, those limitations can produce erroneous estimates of market value. **In post-disaster situations when no other market value estimates are available, or the number of**

permit applications is overwhelming, unadjusted assessed values may suffice as the estimate of market value.

Please consider revising the language to provide an option to comply with the latest FEMA guidance or use the Building Valuation Data.

Thank you for taking time to consider how this change will impact the citizens of Washington State who will already be under stress when flooding occurs and allow them to use the options already provided through FEMA.

Sincerely,

Chris Edmark, CBO
Building Services Supervisor

SUBSTANTIAL DAMAGE. For the purpose of determining compliance with the flood provisions of this code, damage of any origin sustained by a structure whereby the cost of restoring the structure to its before damaged condition would equal or exceed 50 percent of the market value determined using the latest Building Valuation Data published by the International Code Council. If ICC Building Valuation Data is not applicable to this building or structure, the value may be established using an approved market valuation of the structure before the damage occurred, by one of the methods listed:

1. Values developed for property tax assessment, adjusted to the approximate market value where the land is appraised separately from the structure
2. Through a professional appraiser using estimates of a structure's actual cash value, including depreciation and improvements.
3. The latest building valuation data published by the International Code Council.
4. Qualified estimates based on the professional judgement of the building official. However, when the ratio falls between 40 and 60 percent, the building official may require the applicant to provide a detailed list of costs.

SUBSTANTIAL IMPROVEMENT. For the purpose of determining compliance with the flood provisions of this code, any repair, alteration, addition, or improvement of a building or structure, the cost of which equals or exceeds 50 percent of the market value determined using the latest Building Valuation Data published by the International Code Council. If ICC Building Valuation Data is not applicable to this building or structure, the value may be established using an approved market valuation of the structure before the improvement or repair is started, by one of the following methods:

1. Values developed for property tax assessment, adjusted to the approximate market value where the land is appraised separately from the structure.
2. Through a professional appraiser using estimates of a structure's actual cash value, including depreciation and improvements.
3. The latest building valuation data published by the International Code Council.
4. Qualified estimates based on the professional judgement of the building official. However, when the ratio falls between 40 and 60 percent, the building official may require the applicant to provide a detailed list of costs.

If the structure has sustained substantial damage, any repairs are considered substantial improvement regardless of the actual repair work performed. The term does not, however, include either of the following:

1. Any project for improvement of a building required to correct existing health, sanitary or safety code violations identified by the code official and that is the minimum necessary to ensure safe living conditions.
2. Any alteration of a historic structure, provided that the alteration will not preclude the structure's continued designation as a historic structure.